SECDEF ANNUAL REPORT TO CONGRESS

The Fiscal Year 1983 Report of Secretary of Defense Caspar W. Weinberger to the Congress was presented to Congress in February. This annual report reflects the Executive Branch FY 1983 defense budget request, as of January 31, 1982. The following section (Part I.C.4.), which deals with security assistance and U.S. relations with allied and friendly nations, is reprinted herein for the use of our readers.

"Cooperating with Allies and Friends
and the Role of Security Assistance"

a. Security Assistance

It is so obviously to the advantage of the United States, of our allies, and of the free world, to have a strong network of alliances that no further advocacy should be required. Yet, every year military assistance and training funds are regularly held up, reduced, and sometimes denied. The inevitable result of this will be far higher defense expenditures for the United States.

In the past year we have built closer defense relationships with friends in Southwest Asia and the Middle East. We have strengthened our military cooperation with Morocco, Saudi Arabia, Sudan, Somalia, Oman, and Pakistan. Joint military commissions with Egypt, Morocco, Tunisia, and Jordan have been established and are being explored with other countries. These commissions provide a useful forum for security discussions and facilitate monitoring and planning of programs of military cooperation.

Like our own, the defense requirements of our friends and allies have increased. Our security assistance program is designed to assist in meeting their defense needs while enhancing the collective security of the Free World, thus complementing U.S. defense efforts and strengthening our own security. Security assistance also facilitate[s] obtaining important access, and overflight base rights abroad, and encourages rationalization, standardization, and interoperability with our allies. Other benefits include an expanded defense industrial mobilization base and reduced procurement leadtimes.

The cost of military assistance to the U.S. taxpayer is not onerous (Chart I.C.1). In FY 1980 it was less than $13 per person--the lowest level in 30 years. In 1981, the

COST TO TAXPAYERS: TOTAL GRANT PROGRAM

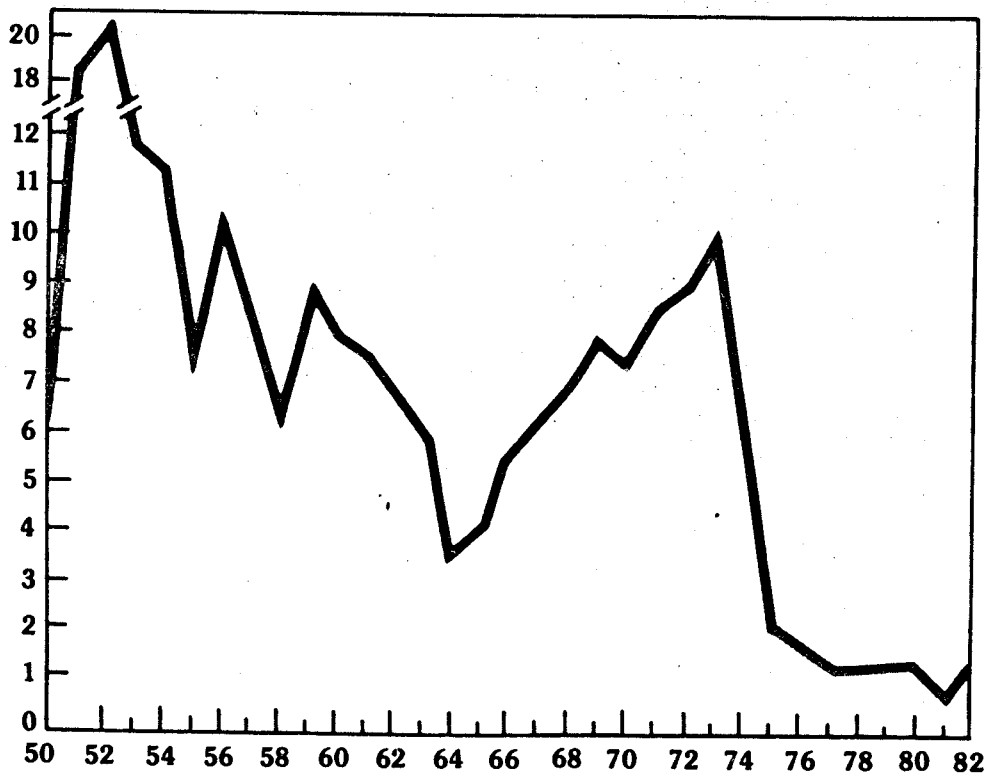

CHART I.C.1

grant element of our military assistance dropped below $1 billion, or less than one-twentieth of the 1952 level. The sharp reduction beginning in 1973 reflects previous Administration's and Congress' decisions to phase out the grant aid program. We now see the need for more on-budget funds for grant aid, or loans at concessional interest rates, since important parts of our defense strategy rely on the cooperation and capabilities of a growing number of friendly countries that have critical defense needs but overburdened economies.

Although the dollar value of U.S. military related exports has risen over the long term, the ratio of military assistance to the U.S. defense budget has steadily declined from its 1950 peak of 9.5 percent. Current military assistance funding levels, even at less than two percent of the defense budget, provide a high-dividend return on the dollar investment and are a particularly cost-effective instrument of U.S. policy (Chart I.C.2).

SECURITY ASSISTANCE AS A PERCENTAGE OF THE DEFENSE BUDGET
(CONSTANT FY 1982 DOLLARS)

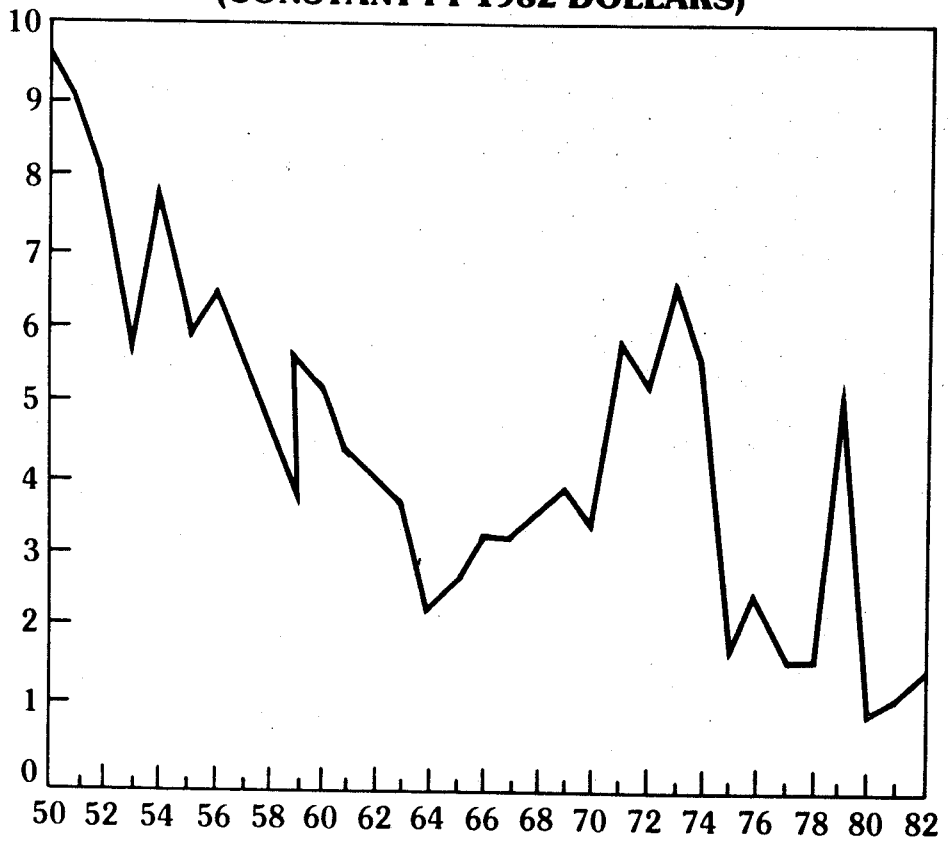

CHART I.C.2

These declining trends in our security assistance program have occurred in the face of considerable increases in the military assistance efforts of the Soviet Union. For example, there was a five-fold increase in Soviet arms sales to the Third World from 1978 to 1980 (Chart I.C.3). This dramatic leap in Soviet sales is a significant indicator of the Kremlin's willingness to exploit political and military opportunities as they arise throughout the world. During the same period, American policy was not sufficiently flexible to meet the challenges of a rapidly changing international environment.

b. Treaty Relationships

The value of formal treaty relationships is greatly enhanced by continuing and realistic provisions for security assistance.

The North Atlantic Alliance is the principal alliance to which the United States has committed its defense resources. The Alliance continues to bring together its members in the common cause of collective defense and provides the forces to deter Soviet aggression.

U.S. AND SOVIET ARMS SALES TO THE THIRD WORLD
(IN BILLIONS OF DOLLARS)

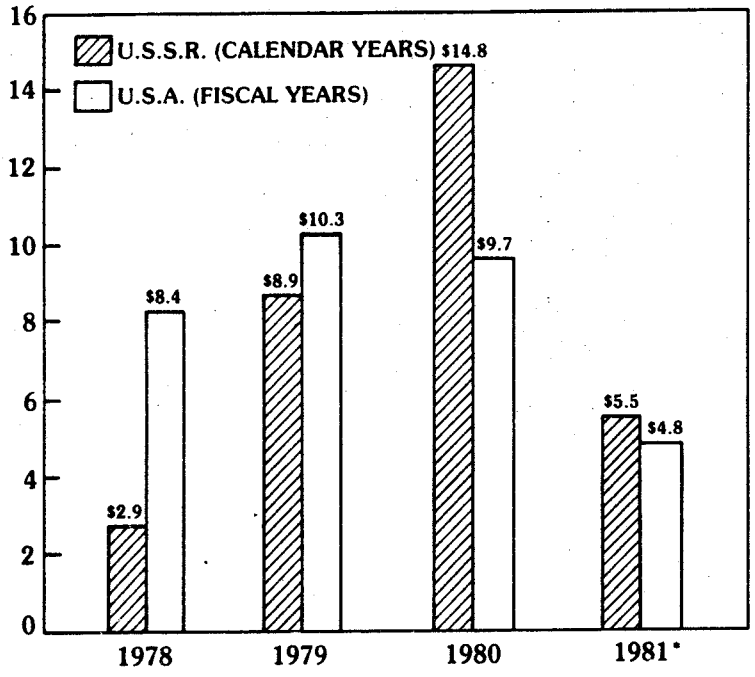

CHART I.C.3

*SOVIET FIGURE INCLUDES SALES AS JUNE 30, 1981; U.S. FIGURE INCLUDES FULL FISCAL YEAR SALES

The Atlantic Alliance is not without its problems. A collection of 15 sovereign states, dedicated to the proposition that an attack against any is an attack against all, is bound to encounter difficulties of a military as well as a political nature. But, despite the problems, the Alliance remains strong and determined and continues to reflect a remarkable consensus on the fundamental issues of deterrence and defense.

Through extensive consultation and concerted action, we have moved to strengthen the North Atlantic Treaty Organization. The Administration has sought and received a reaffirmation of the important NATO goal of annual real increases in defense spending. We have sought and received from our allies an increased recognition of threats to the Alliance that originate outside the NATO area, and we have engaged in consultations on how the Alliance might act in concert to facilitate meeting those threats. There is strong support within the Alliance to maintain the momentum for the modernization of NATO's nuclear forces. And the members of NATO have supported the President's unprecedented offer to the Soviet Union to terminate the deployment of U.S. intermediate-range nuclear missiles in Europe if the Soviets will dismantle their intermediate-range nuclear missiles.

Cooperation with our NATO allies greatly multiplies the effectiveness with which our own defense resources are marshalled to protect our national security. We have called upon our NATO Allies to facilitate our efforts to provide for the security of Southwest Asia. We have made it plain to them that their cooperation is vital if we are to be able to concentrate our forces in Europe and still make them applicable, in a crisis, to other areas. We will continue to press for concrete measures to accomplish this.

We have stressed the importance of allied solidarity in the face of growing Soviet military power. And we have for the most part achieved that solidarity through close consultation and collaboration. Several of our NATO allies have managed, despite economic difficulties, significantly to increase their defense investment. Others, though, have fallen short. All are agreed that more needs to be done if stable deterrence is to be maintained. We will continue to lead by example, urging each of our allies to join with us in making the additional sacrifice that the unremitting growth of Soviet military power has forced all of us to bear.

Concern in Europe about the danger of nuclear war has led to protests and demonstrations, often calling for policies that Western governments recognize would do irreparable harm to the integrity of the Alliance and the safety of its people. We are determined to lead the alliance through the current period of concern and anxiety, pursuing a sound military strategy in consultation with allied governments. Neither we nor our allies can permit the flaring of emotions to deflect us from the urgent requirement to preserve the peace by maintaining our strength. Confident that the overwhelming majority of free citizens in all the sovereign countries of the alliance remain committed to our common defense, we will show, in Churchill's memorable phrase, the "will to stay the course."

The United States is allied by treaty with six Asian and Pacific nations: Japan, Australia, New Zealand, The Philippines, Thailand, and the Republic of Korea. Japan, with whom we have a Treaty of Mutual Cooperation and Security, plays a vital role in maintaining regional stability and is the cornerstone of the U.S. forward defense strategy in the Asian-Pacific region. Japan already contributes toward the achievement of shared security objectives, both economically and with its own improving self-defense capability. However, much remains to be done to expand Japanese defense capabilities responsive to the threat in Northeast Asia.

Australia and New Zealand, allied with us by the ANZUS mutual security pact, contribute to Western security by focusing their efforts on the Southwest Pacific islands and the support of friendly Southeast Asian nations. Australia has also increased its presence in the Indian Ocean and its support for transitting U.S. forces. The Philippines, to whom we are linked by a mutual security treaty and by the Manila Pact, enhances our ability to project power throughout East Asia and into Southwest Asia by providing continued use of Clark Air Base and Subic Naval Base. Additionally, although non-aligned, Malaysia, Indonesia, and Singapore support [a] U.S. presence in Southeast Asia and allow unhampered U.S. transit of the vital Indonesian straits. Two of our Asian allies, Korea and Thailand, which face hostile forces across their borders, have U.S. assistance to bolster their self-defense improvements. In Korea, U.S. forces help maintain deterrence and preserve peace and stability.

By funding nearly the full amount of the Administration's FY 1982 request for foreign aid, Congress has recognized that an effective security assistance program serves American interests as well. Congress has supported legislative initatives, including creation of the Special Defense Acquisition Fund and removal of restrictions on assistance to key regional partners, that have further enhanced the effectiveness of the program. We expect continued progress in FY 1983 and beyond (Table I.C.1).

TABLE I.C.1

Security Assistance Program Growth in the 1980s

	1981	1982	1983
Total Programs (Constant FY 1982 Dollars in Billions)	6.0	6.8	8.2
Percentage Breakdown of Programs[1]			
Foreign Military Sales Credits			
Guaranteed Loans	46.5	45.3	44.9
Concessional Loans	----	----	14.2
Forgiven Loans	9.1	11.0	5.7
Military Assistance Program	3.1	3.1	1.1
Economic Support Fund			
Grant	35.1	34.7	22.8
Direct Loan	5.0	3.0	10.2
International Military Education and Training	.5	.6	.6
Peacekeeping Operations	.6	2.2	.5

[1] Percentages may not total 100 percent due to rounding

The security problems in Central America and the Caribbean are likely to require greater attention and resources. In the event of a major conventional war, the Soviet presence in Cuba and Cuba's armed strength could present a direct military threat to the southeastern United States and to the South Atlantic sea lanes. This imposes an added burden for the defense of our Alliance.

At the present time, however, Cuban and Soviet intervention in Central America and the Caribbean poses the more immediate danger. In view of the potentially serious threat to American security interests there, the Caribbean Basin must receive higher priority and far greater resources than in the past. In order to gain time to address the underlying political, economic, and social problems of the region, we must cooperate closely with our neighbors. We must halt terrorist aggression and deter further military attacks in the hemisphere. A failure to respond to the current threat would only lead to far greater human and material costs in the future.

The government of El Salvador, unlike Nicaragua, seeks to fulfill its pledge to hold elections. But the terrorists and guerrillas supported by Cuba and the Soviet Union attempt to deny the people of El Salvador the opportunity to build a pluralist democracy, to complete their land reform, and to restore the economy. The Government of El Salvador needs our help to restore security for its people.

In September, the Defense Department dispatched a team of experts to El Salvador to assist the Salvadorans in developing a national military strategy. While some recommendations of the team are currently still under review, others are already being implemented. The Salvadorans have requested, and we have agreed to provide, out-of-country training for about 500 to 600 officer candidates, for a light infantry battalion of about 1,000 men, and for noncommissioned officers. This training began early in 1982. Salvadoran requirements far exceed planned FY 1982 foreign military assistance and training levels. Thus, we will need the support of the Congress to fund this urgent need and respond in a timely manner.

We are continuing to provide small Mobile Training Teams to train personnel in areas such as maintenance and coastal patrolling in which there are deficiencies. Equipment provided through Foreign Military Sales includes communications equipment, helicopters, weapons, and trucks that should allow the Salvadoran forces to improve their mobility, command and control, and ability to interdict insurgent supply lines from their external suppliers. This

effort is being supplemented by support from other concerned Latin American countries. The favorable consensus that was developed at the Fourteenth Conference of American Armies in November and more recently at the Organization of American States meeting in St. Lucia, suggest an awareness among many nations in the hemisphere that they must work together to enhance their common security. Both by longstanding policy and by the Rio Treaty, we are committed to join with our Latin American Allies in "mutual assistance and common defense of the American Republics." (Pp. I-31 - I-39.]